

Message Text

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UNCLAS HELSINKI 0356

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SUBJECT: OIL PRICE PROBLEM DOMINATES KEKKONEN

DISCUSSION WITH SOVIET LEADERS

REF: HELSINKI 0354

1. UPON HIS RETURN FROM HIS UNOFFICIAL VISIT TO USSR FEBRUARY 15 TO 18, PRESIDENT URHO KEKKONEN MADE IT CLEAR THAT MOST OF HIS DISCUSSIONS WITH SOVIET LEADERS PRESIDENT PODGORNYY, PREMIER KOSYGIN AND DEPUTY FOREIGN MINISTER KUZNETSOV HAD BEEN DEVOTED TO ECONOMIC, PARTICULARLY OIL, QUESTIONS.

2. KEKKONEN, IN AN INTERVIEW WITH JOURNALISTS, STATED THAT AGREEMENT ON TWO IMPORTANT PRINCIPLES SET UNCLASSIFIED

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THE TONE OF NEGOTIATIONS ON THE STILL UNDECIDED PRICE

OF CRUDE OIL SUPPLIED BY SOVIETS TO FINLAND, ABOUT 70 PERCENT OF FINLAND'S TOTAL NEEDS. THEY AGREED FIRST THAT OIL AS WELL AS OTHER ITEMS OF USSR-FINNISH BARTER TRADE WOULD BE BASED (AS PREVIOUSLY) ON WORLD MARKET PRICES AND SECOND THAT FINNISH-SOVIET TRADE MUST BE IN BALANCE AS FAR AS VALUE IS CONCERNED. HOWEVER, SOVIET LEADERS AGREED WITH KEKKONEN'S STATEMENT IN OPENING FINNISH PARLIAMENT RECENTLY THAT TEMPORARY CYCLICAL FLUCTUATIONS HAVE NEVER BEEN EXPLOITED IN FINNISH-SOVIET TRADE. KEKKONEN WAS CONFIDENT THAT "IN TIME" FINLAND AND USSR WOULD REACH "SATISFACTORY AGREEMENT" ON CRUDE OIL PRICE. HE HAD MADE AVAILABLE TO USSR FINNISH CALCULATION THAT WITH NEW HIGHER PRICES FOR CRUDE AND OIL PRODUCTS FINNISH DEFICIT ON 1974 CLEARING ACCOUNT COULD BE AS MUCH AS 300 MILLION RUBLES, ABOUT 1-1/2 BILLION FINNMARKS. SOVIETS HAD UNDERSTOOD THAT FINLAND COULD COVER ONLY PART OF THIS LARGE DEFICIT BY INCREASING EXPORTS TO USSR IN 1974. SOVIETS DID EXPRESS WILLINGNESS TO ACCEPT INCREASED AMOUNTS FARM PRODUCTS ("AS MUCH AS FINLAND COULD SUPPLY") AND MORE CONSUMER GOODS SUCH AS "CERTAIN DURABLES AND FURNITURE, READY-MADE CLOTHING, TEXTILES, ETC."

3. KEKKONEN TACITLY CONCEDED THAT IT WOULD BE IMPOSSIBLE TO BRING FINNISH-USSR TRADE ACCOUNT INTO BALANCE BEFORE SEVERAL YEARS HAVE PASSED BUT ASSERTED SOVIETS WERE WILLING TO HELP BY PURCHASING MORE IN FINLAND, EVEN OUTSIDE THE CURRENT TRADE AGREEMENT FRAMEWORK. THE USSR ALSO INDICATED POSITIVE ATTITUDE TOWARD PLANTS WHICH FINNISH FIRMS MIGHT BUILD IN USSR FOR SOVIETS. EXTENSION TO CHEMICAL PULP PLANT AT SVETOGORSK WAS CITED AS EXAMPLE.

4. COMMENT: INCREASES OVER TIME IN PRICES OF FINNISH EXPORTS TO THE USSR MAY COVER FROM 25 TO 35 PER CENT OF THE INCREASED OIL COST. INCREASES IN VOLUME OF COMMODITY EXPORTS AND INCREASE OF PROVISION OF SERVICES THROUGH FINNISH PARTICIPATION IN PROJECTS IN THE USSR AND IN THIRD COUNTRIES MUST COVER BALANCE, IF UNCLASSIFIED

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PAYMENT IN HARD CURRENCIES TO BE AVOIDED. JOINT USSR-FINNISH CONSTRUCTION OF THERMAL AND/OR NUCLEAR PLANTS IN CERTAIN ARAB COUNTRIES NOW UNDER DISCUSSION. USSR WOULD THUS GAIN NOT ONLY TECHNOLOGY BUT AN INCREASE IN ECONOMIC TIES WITH FINLAND. MAKING UP THE DEFICIT ARISING FROM OIL PRICE INCREASES WILL BE AN EXTREMELY DIFFICULT TASK FOR THE FINNS, ACCOMPLISHABLE ONLY THROUGH SOME SEVERE BELT-

TIGHTENING, BUT THE FINNS DO ENJOY AN ASSURED SUPPLY
OF OIL AND AN APPARENT SOVIET WILLINGNESS TO "CARRY"
THEM FINANCIALLY FOR SOME TIME, SOMEWHAT BRIGHTENING
SHORT-TERM PROSPECTS.
KREHBIEL

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